

Hanoi, Mar 2009

Vietnamese Companies:

From Equity Offering to Traditional Debt Financing



This presentation is in attempt to:

- ▶ Analyse challenges in equity offering through Stock Markets
- ▶ Implications for business owners governing bodies

2. Companies Still Hunger for Add. Capital

Additional Capital is A Must for:

- ▶ Companies below VND80bn (\$5m) capital HOSE.
- ▶ 35 securities firms to VND300bn (\$18m) capital to provide a full services.
- ▶ Banks to VND3,000bn (\$175m) by 2010.
- ▶ Companies huge sunk costs.

Why?

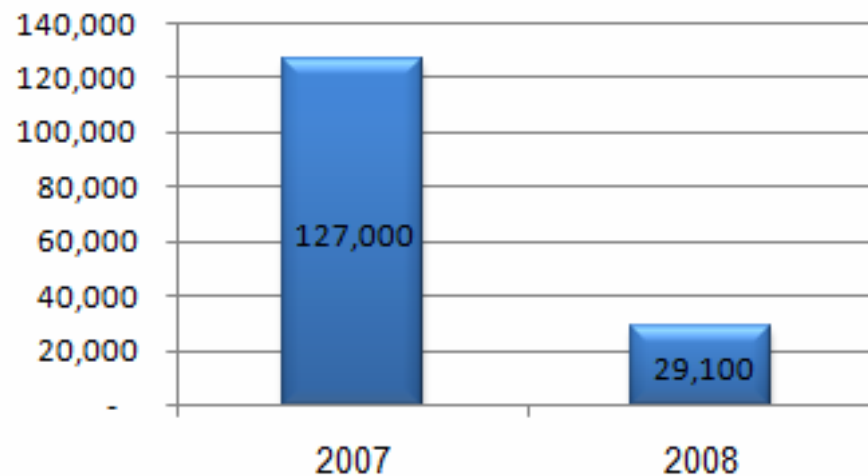
- ▶ Regulatory requirements: Financial Sector
- ▶ Pending projects: SOEs
- ▶ Expansion and growth: Private Sector

3. Fund Raisings via Stock Markets

2007: a golden year

- ▶ VND127trillion (US\$7.5bn) raised
- ▶ Close to total FII (US\$8bn) into Vietnam in 2007
- ▶ 25% of total country investment (VND521.7bIn) and 70% by local private sector (VND184.3bn) in 2007

Chart 1: Total Fund Raised from Securities Markets (VNDbIn)



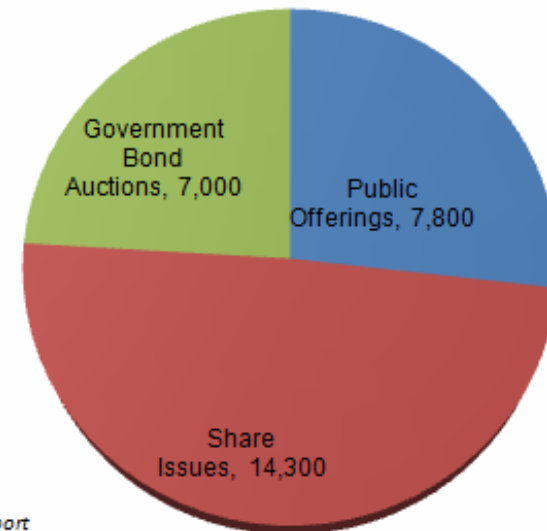
Source: SSC's 2008 Report

3. Fund Raisings via Stock Markets

2008: disappointed

- ▶ VND14,300bn (US\$0.84bn) licensed but actual subscription could be significantly low.

Chart 2: Total 2008 Fund Raising Breakdown



Source: SSC's 2008 Report

4. Equity Offering by Listed Companies

- ▶ High success rates in 06 and 07 (95%)
- ▶ 79% success rate in 08 but low amount
- ▶ 2009: very few offering

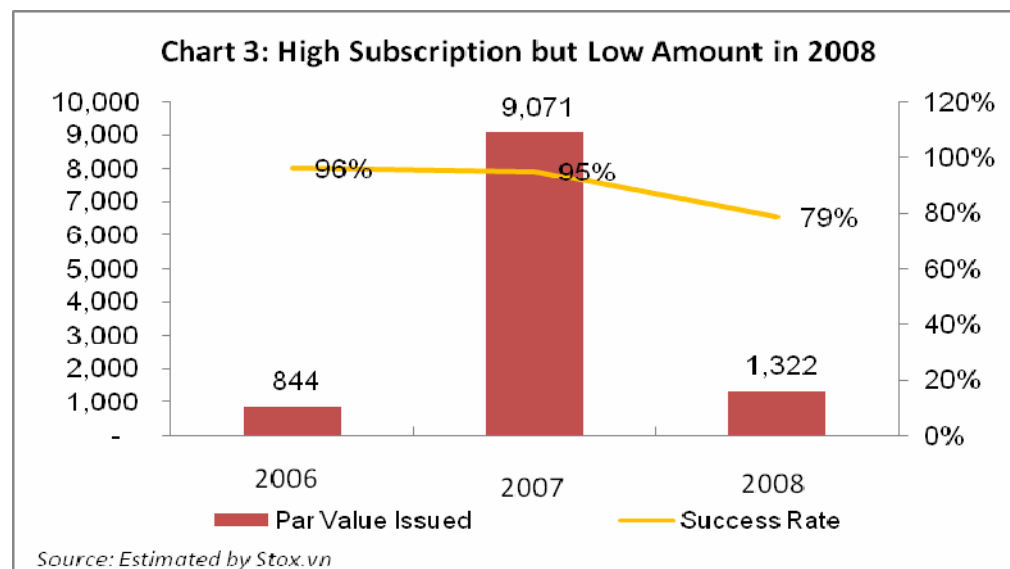


Table 1: Share Issue Activities by Listed Companies

		2006	2007	2008	25/02/09
Licenced	Share mil	147.1	1,411.9	1,203.8	36.0
Actual	Share mil	141.3	1,340.7	945.7	5.7
% Subscription	%	96.1%	95.0%	78.6%	15.8%
Cash Issues*	Share mil	84.4	907.1	132.2	4.5
Par Value	VNDbln	844.0	9,071.2	1,321.6	45.3

Source: Stox.vn

* excluded non-cash issues including bonus issues, share dividends, bond conversions.

4. Equity Offering by Listed Companies (cont'd)

Top 10 Equity Raisers in 2007:

- ▶ raised US\$1.2bn or 31.5% total raisings by all public companies (VND64,000bn) .
- ▶ Mainly flowed into real-estates, financial.
- ▶ Room for further debt financing

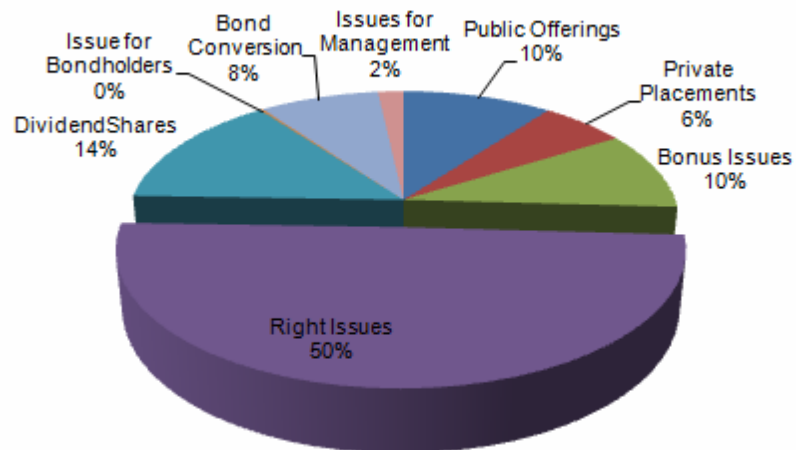
Table 2: Top 10 2007 Equity Raisers

Ticker	Short Name	Sector	Amount US\$ mil FY07	Debt/ Equity 31.12.08	Quick Ratio 31.12.08
STB	Sacombank	Banking	186.1	na	na
HPG	Hoa Phat Group	Industrial	141.8	0.30	0.40
ITA	Tan Tao Group	Real estates	138.7	0.29	0.10
SSI	Sai Gon Securities	Securities	122.7	0.13	1.70
KBC	Kinh Bac Corporation	Real estates	108.7	0.63	0.01
ACB	Asia Commercial Bank	Banking	106.1	na	na
KDC	Kinh Do Confectioneries	Confectioneries	101.9	0.29	0.30
SAM	Cables and Telecom	Industrial	95.3	0.02	12.90
GMD	Gemadep	Transportation	85.6	0.46	0.40
VIC	Vincom	Real estates	79.4	2.52	0.10
Total			1,166.2		

Source: Stox.vn

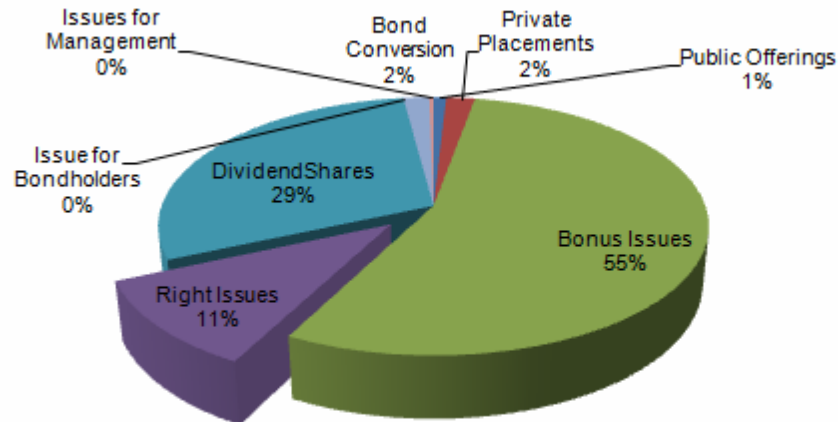
4. Equity Offering by Listed Companies (cont'd)

Chart 4: Right Issues Dominated in 2007



Source: Stox.vn. Listed Companies only

Chart 5: Bonus Issues Dominated in 2008

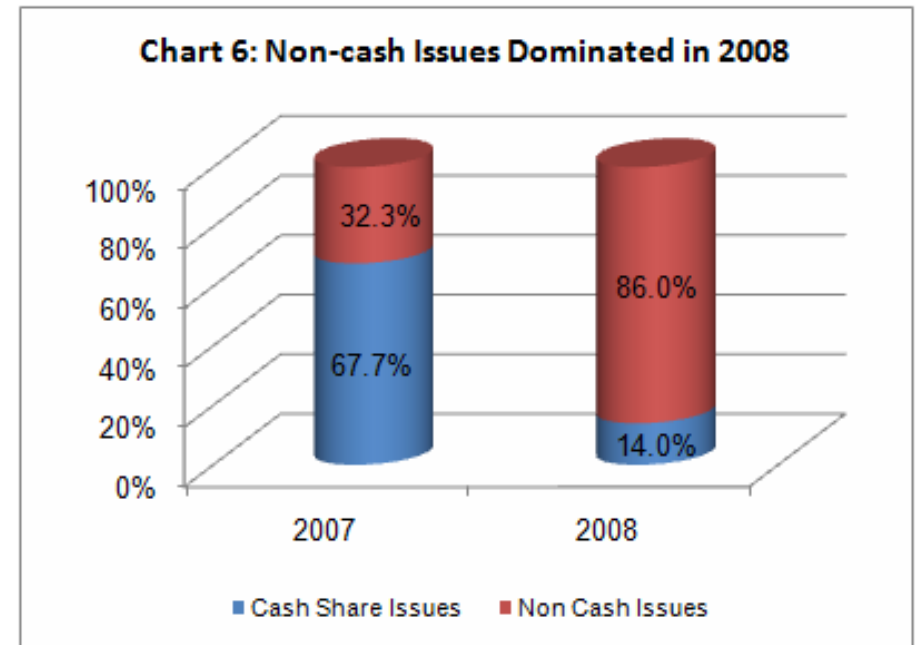


Source: Stox.vn. Listed Companies only

- ▶ Shift from right issues in 07 to bonus issues in 08
- ▶ Private transactions still small
- ▶ Public offering dropped to 1% in 08

Right and bonus issues can not work well in crisis:

- ▶ Low valuation: 30% (103/355) stocks trading below its par value (VND10,000) and 66% (255/355) below book value.
- ▶ E.g a 2-for-1 bonus issue



Private transactions the most feasible for equity offering:

- ▶ Interest on private transactions by foreign investors still high for a number of sectors: Consumer Goods, Banks, Distribution. Deal being done.
- ▶ Mezzanine financing rather than pure equity.
- ▶ Investment Banking model: Up-front fee in addition to success fee?

5. Solutions (cont'd)

In overall, still room for debt financing

- ▶ Capital requirements high while equity difficult.
- ▶ Reduced gearing in 08 vs. 07 measured by Debt/Equity
- ▶ Cash liquidity improved in 08 vs. 07

TABLE 3: FINANCIAL POSITION - LISTED COMPANIES

Sector	Debt/Equity		Cash/ST Liabilities	
	31.12.07	31.12.08	31.12.07	31.12.08
Information Technology	1.30	1.38	0.30	0.26
Industrial	1.80	1.18	0.10	0.14
Engery	2.40	1.68	0.10	0.18
Consumer Service	1.10	0.67	0.04	0.20
Health Care	0.30	0.42	0.30	0.45
Consumer Goods	0.80	0.68	0.10	0.14
Materials	0.90	0.90	0.10	0.18
Financials	0.80	0.87	0.20	0.37
Utilities	1.00	1.06	0.10	0.06
Telecom	0.50	0.83	-	0.07
Average	1.09	0.97	0.13	0.21

Sourced: Stox.vn

Why debt this time?

- ▶ Cheaper with tax
- ▶ Cost of Equity 'cause higher yield at low prices
- ▶ Govn't US\$1bn Interest Subsidy Program

WACC as a required rate of return

$$WACC = \frac{E}{V} * Re + \frac{D}{V} * Rd * (1 - Tc)$$

Where:

Re = cost of equity

Rd = cost of debt

E = market value of the firm's equity

D = market value of the firm's debt

V = E + D

E/V = percentage of financing that is equity

D/V = percentage of financing that is debt

Tc = corporate tax rate

We need a stronger push for MnA

46 Low Capital Companies on HOSE

- ▶ Identical and supplemental business
- ▶ 04 ocean shipping companies (SFI, VFC, SHC, PJT)
- ▶ 02 inland clearance depots

35 Securities Companies

- ▶ 35 online trading platforms worth a US\$ million each
- ▶ 70 leased-lines to HaSTC and HOSE
- ▶ Combined low investor bases

Joint Stock Banks

- ▶ Avoid regulation
- ▶ Increased liquidity
- ▶ Huge cost savings
- ▶ Foreign competition
- ▶ Size advantages

5. Solution (cont'd)

Put good stocks in the shelf?

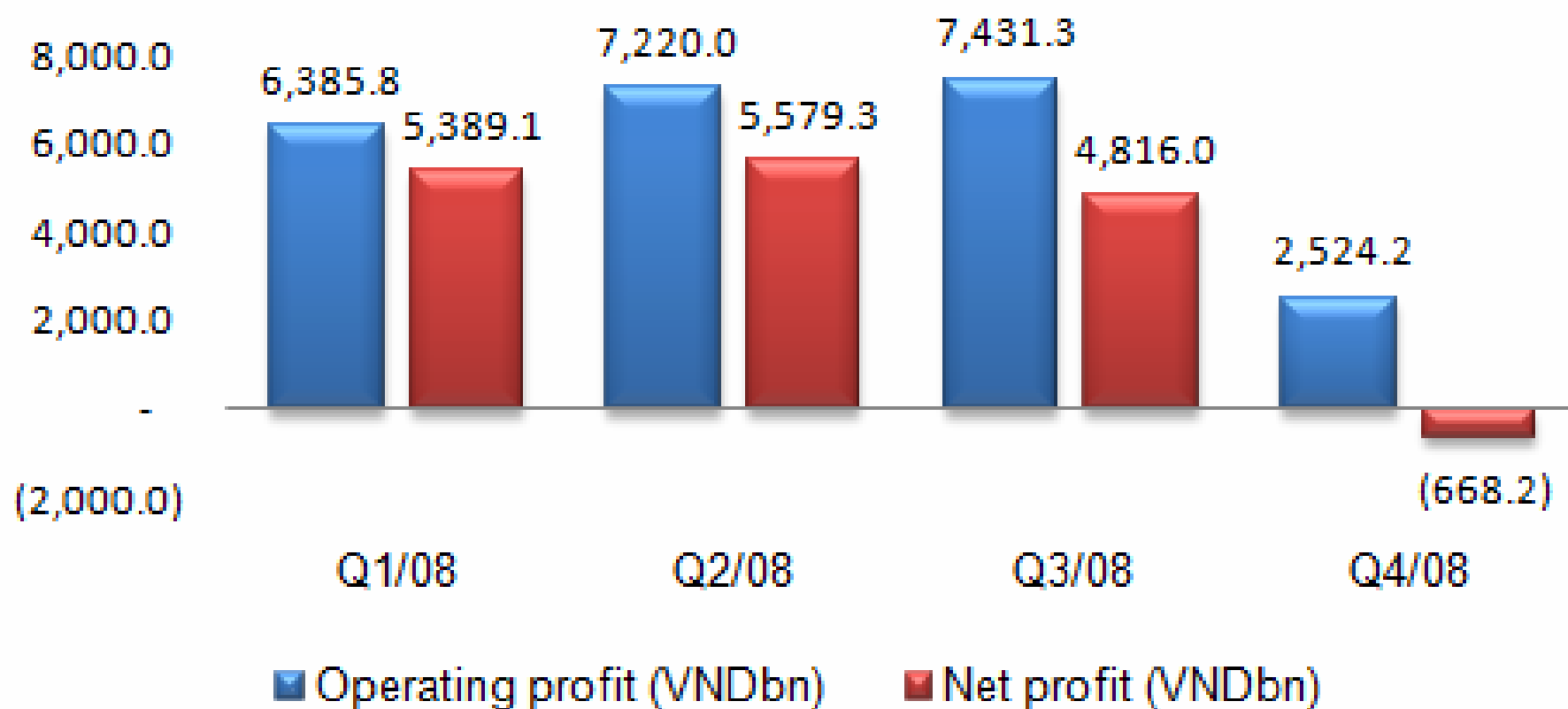
- ▶ Soon listing pls!
- ▶ Average of 6.4% free-float low.

Table 4: Free-Float by 4 Post-IPO Giants, Dec 2008

	Capital VNDbln	Free-Float %	Free-Float VNDbln
Vietcombank	15,000	6.5%	975.0
Vietinbank	13,400	4.0%	536.0
Sabeco	6,412	10.0%	642.5
Habeco	2,318	9.8%	227.2
	37,130	6.41%	2,380.6

Sourced: Stox.vn

Chart 7: Listed companies's performance: Accounting doesnot help investors?

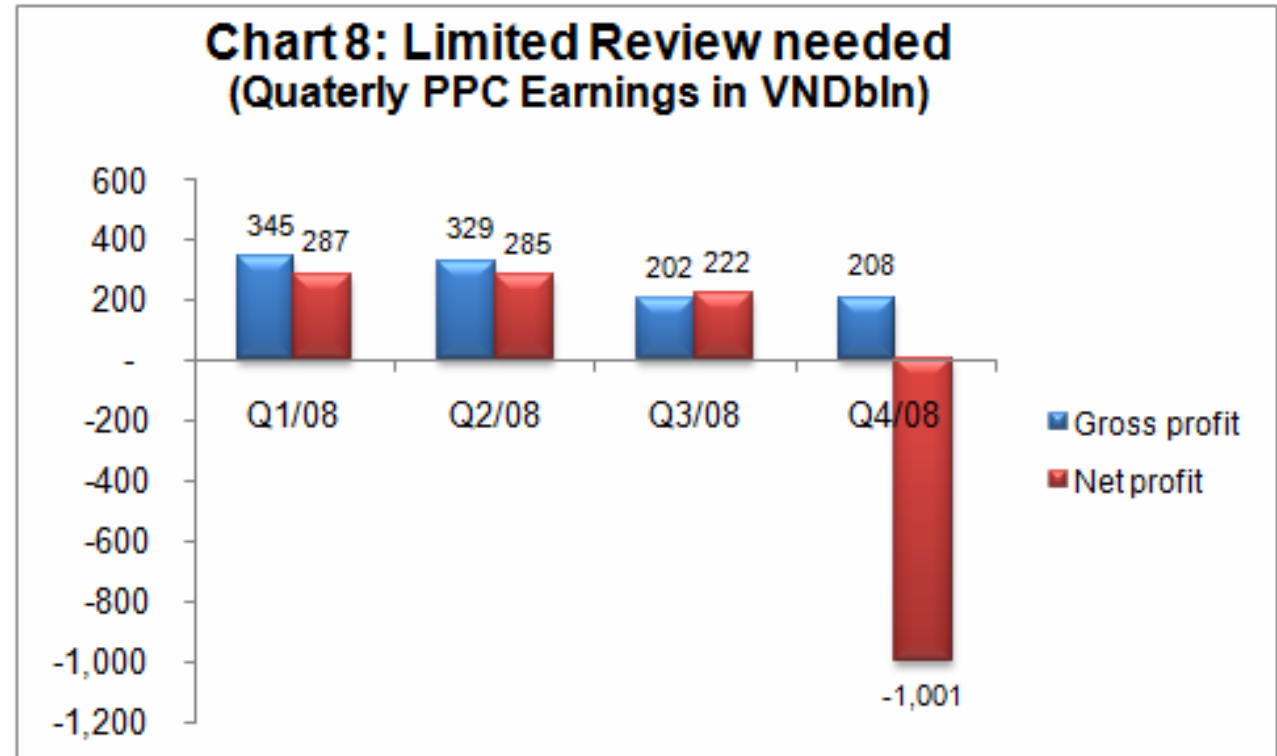


More financial transparency

- ▶ Accounting Gaps: to serve investors as a stakeholder better:
 - ▶ Provision vs. “mark-to-market”
 - ▶ From VAS to Circular 38: full FS disclosure
 - ▶ Welfare and bonus: need to be expensed off

Compliance!

- ▶ External quarterly review?
- ▶ Revisions where necessary



6. Conclusion

- ▶ Debt financing appears more attractive
- ▶ Right time for further financial transparency and investor relations
- ▶ Regulation to keep pace with capital market developments

Come to see bank's tellers now...



...and looking forward to equity offering





Thank you!
Q&A